

## Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 AGRE-00 EB-07 CIAE-00 INR-07

NSAE-00 IGA-02 COME-00 TRSE-00 /086 W

-----090538Z 125843 /12

R 070805Z JUN 77

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 4945

UNCLAS DACCA 3082

E.O. 11652: N/A

TAGS : EAGR, BG

SUBJECT : BDG RAISES PROCUREMENT PRICE FOR WINTER RICE CROP

REF : (A) DACCA 2999 (B) DACCA 2445

1. IN A WELCOME ANNOUNCEMENT JUNE 3 THE BDG RAISED THE PROCUREMENT PRICE FOR THE 1977 AMAN (WINTER RICE) CROP. THE PRICE FOR THIS CROP, HARVESTED FROM LATE NOVEMBER TO JANUARY, IS FIXED AT TAKA 80 PER MAUND (OF 82 LBS.) PLUS A FOUR TAKA TRANSPORTATION BONUS, FOR A TOTAL OF 84 TAKA PER MAUND. THE NEW PRICE COMPARES WITH 78 TAKA (INCLUDING 4 TAKA TRANSPORTATION BONUS) FOR THE 1976 AMAN CROP. (FOR FULL INFORMATION ON PROCUREMENT PRICES IN 1976/77, SEE REFTEL A).

2. IN ITS ANNOUNCEMENT, THE BDG STATED THAT QUOTE "GOVERNMENT HAS INCREASED THE PROCUREMENT PRICE IN THE INTEREST OF THE FARMERS. ALL ARRANGEMENTS WILL BE MADE TO PROCURE

PADDY AT SUPPORT PRICE FROM THE FARMERS THEMSELVES IN COLLABORATION WITH UNION PARISHAD AND VILLAGE FOOD PRODUCTION COMMITTEES" UNQUOTE.

3. COMMENTS: THIS ANNOUNCEMENT IS TIMELY AND THE MODEST PRICE INCREASE A WELCOME INDICATION OF BDG INTEREST  
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IN IMPROVING FARMER INCENTIVES TO GROW MORE FOOD.

(A) TIMING. THE WORLD BANK IN ITS MAY 19, 1977, REPORT ON THE CURRENT ECONOMIC SITUATION IN BANGLADESH, NOTES THAT, AMONG OTHER FACTORS LIMITING THE EFFECTIVENESS OF THE PROCUREMENT SYSTEM IN 1976/77, "THE PRICE WAS NOT ANNOUNCED SUFFICIENTLY FAR IN ADVANCE OF THE AMAN

SEASON. AN APRIL OR EARLY MAY ANNOUNCEMENT WOULD BE IDEAL." OBTAINING INPUTS REQUIRES LONG LEAD TIMES, AND WHILE NOT IDEAL, THE TIMING THIS YEAR IS VERY SIGNIFICANTLY BETTER THAN LAST YEAR'S LAST-MINUTE ANNOUNCEMENT (SEE DACCA A-147 NOVEMBER 26, 1976 AND PREVIOUS).

(B) PRICE INCREASE. THE PRICE INCREASE OF 7.7 PERCENT IS ONLY MODESTLY ABOVE THE INCREASE IN COSTS OF INPUTS AND OTHER GOODS FARMERS BUY, WHICH WE JUDGE TO HAVE RISEN 4 TO 5 PERCENT OVER THE PAST TWELVE MONTHS. WHILE A STEP IN THE RIGHT DIRECTION, THE INEFFICIENCIES OF THE PROCUREMENT SYSTEM REMAIN AND THIS INCREASE WILL NEED TO BE COUPLED WITH OTHER MEASURES TO TURN THE TERMS OF TRADE EFFECTIVELY IN FAVOR OF THE GROWER. THE INCREASE IS, NEVERTHELESS, AN INDICATION OF BDG ATTENTION TO THIS VITAL AREA AND ONE OF THE FIRST POSITIVE STEPS TAKEN DURING THE PAST YEAR. MORE MEASURES MAY FOLLOW (SEE REFTEL B).  
MASTERS

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## Message Attributes

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